

FISCAL NOTE

Bill #: HB0072

Title: Guaranteed annual benefit adjustment
for teachers' retirement system

Primary

Sponsor: John Mercer

Status: As introduced

| | | | |
|-------------------|------|-----------------------------|------|
| Sponsor signature | Date | Dave Lewis, Budget Director | Date |
|-------------------|------|-----------------------------|------|

Fiscal Summary

| | <u>FY2000 Difference</u> | <u>FY2001 Difference</u> |
|--|-------------------------------------|-------------------------------------|
| Expenditures: | | |
| General Fund | \$620,500 | \$645,300 |
| Revenue: | | |
| Other (Pension Trust) | \$620,500 | \$645,300 |
| Net Impact on General Fund Balance: | (\$620,500) | (\$645,300) |

| <u>Yes</u> | <u>No</u> | | <u>Yes</u> | <u>No</u> | |
|-------------------|------------------|----------------------------------|-------------------|------------------|-------------------------------|
| | X | Significant Local Gov. Impact | | X | Technical Concerns |
| X | | Included in the Executive Budget | | X | Significant Long-Term Impacts |

Fiscal Analysis

ASSUMPTIONS:

1. All cost estimates are based on the July 1, 1998, Actuarial Valuation including the recommended salary scale assumptions adopted by the Teachers' Retirement Board on November 20, 1998.
2. The unfunded actuarial liability increases from \$314.3 million to \$530.7 million and the amortization period increases from 9.2 years to 25.5 years. The majority of the cost of the 1.5% GABA will be funded by the increase in the amortization period.
3. Effective July 1, 1999, the employee contribution rate will increase 0.11%, from 7.044% to 7.15%.
4. Effective July 1, 1999, the state general fund will contribute 0.11% of all salaries reported to the Teachers' Retirement System each month.

5. Total estimated salaries to be reported to the Teachers' Retirement System for FY 2000 -- \$556.1million;
FY 2001 -- \$586.6 million.

FISCAL IMPACT:

| | <u>FY2000 Difference</u> | <u>FY2001 Difference</u> |
|--|------------------------------|------------------------------|
| <u>Expenditures:</u> | | |
| Transfers | <u>\$620,500</u> | <u>\$645,300</u> |
| TOTAL | \$620,500 | \$645,300 |
| <u>Funding:</u> | | |
| General Fund (01) | <u>\$620,500</u> | <u>\$645,300</u> |
| TOTAL | \$620,500 | \$645,300 |
| <u>Revenues:</u> | | |
| Other (Pension Trust) | \$620,500 | \$645,300 |
| <u>Net Impact to Fund Balance (Revenue minus Expenditure):</u> | | |
| General Fund (01) | (\$620,500) | (\$645,300) |
| State Special Revenue (02) | | |
| Federal Special Revenue (03) | | |
| Other (Pension Trust) | \$620,500 | \$645,300 |

LONG-RANGE IMPACTS:

Future general fund contribution will not be materially greater than the estimated cost for the 2001 biennium.

| | <u>FY 2002</u> | <u>FY 2003</u> | <u>FY 2004</u> | <u>FY 2005</u> |
|---------------------------|----------------|----------------|----------------|----------------|
| Estimated Salaries | \$610,130,560 | \$634,535,782 | \$659,917,214 | \$686,313,902 |
| General Fund Contribution | \$671,144 | \$697,989 | \$725,909 | \$754,945 |